

REMARKS/ARGUMENTS

The application has been carefully reviewed in light of the October 3, 2003 Office Action, wherein it was indicated that the amendment filed on September 5, 2003 was sufficient to overcome the previously cited Barnett reference, but the claims were newly rejected under 35 U.S.C. §103(a) as being unpatentable over Barnett in view of Day (U.S. Patent No. 5,857,175). In Response, Applicant has provided the Declaration of Dr. Michael Banks, who is an expert in this field to overcome the cited rejections. Applicant also provides the following remarks and argument. Reexamination and reconsideration of the application is respectfully requested.

SUMMARY OF THE INVENTION

The present invention is directed to a method and system for distributing product entitlements to a retail store's frequent shopper program members (Page 7, lines 10-12). As discussed in the Déclaration of Dr. Banks and in the Detailed Description of the Preferred Embodiments, Page 7, second full paragraph, it is common for retailers to incorporate a frequent shopper program to track and transfer frequent shopper member purchase information, including individual account numbers and related product purchase history detailing each purchase transaction when the frequent shopper program account is used. These programs began in the late 1980's and are well-known in the field. Current estimates place the use of frequent shopper card programs at 75% of the 30,000 supermarkets in the United States. However, as explained by Dr. Banks, the frequent shopper card programs have not become as productive as originally intended due to the lack of a mechanism for utilizing this data to target rebates and coupons to shoppers. The present invention is intended to overcome these drawbacks and provide a simple and effective method for targeting frequent shopper program members with rebates that would be applicable to their individual product purchase history.

As discussed on pages 8 and 9 of the Specification, the invention accesses the retailer's frequent shopper program data and identifies each frequent shopper account number. The invention determines the store locations that the frequent shopper card program member historically frequents and determines a purchase cycle by product category for that frequent shopper and each frequent shopper account in the retailer's frequent shopper program member database. Consumption level patterns and "by brand" patterns are also determined for each individual frequent shopper card program member. Algorithms are then used to match the purchaser's cycle history to available commercial offers.

When a frequent shopper card program members enters the retail store, he or she enters their frequent shopper card program member ID (typically by swiping the retailer's frequent shopper program member card) at a dispenser device within the retail store. The available promotional offers to that particular shopper are then printed at the kiosk in the form of a list of entitlements or individually printed coupons. The promotional offers can be rebates or coupons for the retailer's brand of goods, pharmacy, meat department, produce department, or national brand coupons.

As the offers are redeemed at the point-of-sale of the store, the point-of-sale system reports the details of the transaction to the retailer's in-store program controller. The controller periodically uploads the frequent shopper transaction data to the retailer's corporate server. The invention can then track the offers that were redeemed as each individual's shoppers product purchase history associated with the retailer's frequent shopper card program account is updated. The invention thus taps into the pre-existing database of product purchase history for each shopper belonging to the retailer's frequent shopper card program so that the retailer and product manufacturers can target these shoppers with promotions and entitlements which are specific to that shopper in a convenient manner while maintaining the shopper's privacy.

CLAIM REJECTIONS

Currently pending claims 1-9, 11-26, 28-41, 43-57 and 59-66 stand rejected under 35 U.S.C. §103(a) as being unpatentable over Barnett et al. (U.S. Patent No. 6,321,208) in view of Day et al. (U.S. Patent No. 5,857,175).

Dr. Michael E. Banks has prepared a Declaration in support of the present application. Dr. Banks has over 30 years experience in retail, advertising, Internet and customer relationship marketing in the United States and abroad. He indicates that he has a great deal of experience and expertise in retail advertising and marketing, particularly product promotion and coupon or product rebates systems and methodologies, including Internet discount offers, electronic coupons, and in-store coupons. Thus, Dr. Banks is an expert in this field. Dr. Banks stated that he believes that there are many differences between the present invention and the Barnett and Day systems. Dr. Banks states "[I]n my opinion, no analyst or one with expertise in this field can conclude that the Barnett and Day patents overlap with the invention due to the differences in methodology, process and product between each." (Paragraph 2 Banks' Declaration). In paragraph 21 of the Banks' Declaration, Dr. Banks states that after an exhaustive study of the Day and Barnett patents, he concludes that even a combination of the best features of both systems would not produce a workable, targeted coupon delivery program in today's marketing environment and still not overlap the critical features of the invention. Dr. Banks states that he fails to see how the Barnett and Day patents render the present invention obvious.

In Paragraphs 3-5 of the Banks' Declaration, Dr. Banks explains that supermarket frequent shopper programs are well-known and are designed to collect customer purchase data and create loyalty to the supermarkets. However, as Dr. Banks explains, supermarkets do not have the expertise to develop marketing promotions from their raw data they have collected from their frequent shopper programs and are not able to deliver them cheaply and discretely to their shoppers. Offers cannot be delivered by e-mail or direct mail due to the cost as well as privacy issues. Even if the supermarkets were able to e-mail or direct mail the promotional rebates and offers to their shoppers, these

targeted promotional delivery methods would suffer from "slippage" as these shoppers would forget to bring their offers to the store when they shop. Notwithstanding this, the supermarkets have continued their frequent shopper card programs as customers have embraced the loyalty card programs and there is a tremendous investment of millions of dollars in the database of each frequent shopper card program, which constitutes data by shopper, by item, by price, by date, over time, and by total shopping carts.

The present invention, as discussed above, described in the Specification, and explained in Dr. Banks' Declaration accesses the historical purchase behaviors stored in the retailer's total-basket frequent shopper program database to determine the kinds of offers that would be most attractive to each individual frequent shopper program member. The invention delivers these offers in-store via paper coupons or a printed list of offers. As the invention only uses the frequent shopper's identification number, no names, addresses, e-mail addresses or telephone numbers are accessed and thus privacy issues are averted. As Dr. Banks explains in his Declaration in Paragraph 7, "the unique targeting capability of the present invention allows an infinite variety of offers, including variable discounts, flavors, and sizes."

Each independent claim of the present invention (claims 1, 20, 37, 50 and 57) all are directed to a process for distributing product entitlements in a retail store to shoppers who are members of the retail store's frequent shopper program. Each independent claim recites that frequent shopper program member data is obtained or captured, which includes individual frequent shopper program member account numbers and product purchase histories of the individual frequent shopper program member account numbers comprising past product purchases, with or without a coupon, using the frequent shopper member account number at the retail store over a predetermined time period. Neither Barnett nor Day is directed to a process for distributing product entitlements in a retail store to shoppers of the retail store's frequent shopper program.

The Barnett patent is directed to on-line distribution of electronic coupons, or Internet coupons. The Barnett et al. patent discloses an Internet-based system wherein those interested in subscribing to the service log on to a web-

site and join as a member of the service. The user preferably provides demographic information to assist the on-line coupon provider a guide as to which coupon package to send to the subscriber. For example, if the user of the system has pets or small children, a coupon packet which includes coupons for pet food, sugared cereal, etc. can be sent. The user must then view all of the coupons in the coupon package and electronically "clip" those coupons which he or she is interested in and print these coupons on a printer connected to the user's personal computer. The "clipped" coupons can be arranged such that similar coupon items are grouped with other similar coupon items as the coupons are printed. The user then takes these coupons to any store which will redeem them. These coupons are similar to the coupons received in the mail or in the free-standing inserts (FSI's) included in the Sunday's newspapers.

In Paragraphs 8-14, Dr. Banks discusses the Barnett patent. Dr. Banks states that both on its face and in depth, the Barnett patent shares only a single similarity with the invention, which is a distribution of manufactured coupons for consumer packaged goods and products. He sees six basic differences between the invention and the Barnett patent. Dr. Banks states that "the Barnett system does not utilize the retailer's frequent shopper program database." Instead, Barnett invites Internet users to a web-site that carries a variety of offers, none of which is targeted in a traditional sense. Dr. Banks states that the user is allowed to "self-target" by selecting and printing coupons for use at any retailer carrying the products. The Barnett system coupons are printed at home using a personal computer and printed after being downloaded from the Internet. Dr. Banks states that many retailers refuse to honor these Internet coupons due to fraud problems. Dr. Banks also states that the collection of personal data and placing "cookies" or "spyware" on the member's computers creates privacy issues. Dr. Banks further discusses the fact that Barnett provides for no retailer involvement and thus the coupons are not retailer-specific and are not guaranteed to be redeemed by the retailers as they are not delivered in the store.

The Office Action erroneously states on Page 2, paragraph 3, that Barnett discloses a process for distributing product entitlements to frequent shopper program members, comprising the steps of "capturing frequent shopper program data including individual member account numbers and related product purchase

histories from a central retailer server using a computer network and transferring the captured data to a central host system database; comparing the product purchase history of each member account number to a database of available product entitlements, and selecting a list of available product entitlements to be associated with each member account number based on the comparison.” In fact, Barnett et al. do not disclose the obtaining from the retail store of frequent shopper program member data. Barnett et al. do not disclose, teach or even infer of the obtaining of related product purchase histories from a central retailer server. Nor do Barnett et al. disclose whatsoever the comparing of the product purchase history of each member account number to a database of available product entitlements and selecting a list of available product entitlements to be associated with each member account number. Instead, Barnett et al. specifically disclose that the “historical purchasing patterns” are only obtained from the user-specific demographic data provided by the user, and the tracking of the coupons which are printed and then tracking those coupons which are eventually redeemed through coupon clearing houses. Dr. Banks states that this would either be extremely expensive or impossible to do in the real world. Nonetheless, as stated by Dr. Banks, “Barnett simply does not use the retailer’s frequent shopper program member data in any manner.” (Paragraph 13, Banks Declaration).

On Page 4 of the Office Action, contrary to the assertions taken on Pages 2-4 of the Office Action, the Office Action states that “Barnett does not explicitly disclose a frequent shopper program or tracking purchases without coupons or that the coupon dispenser is located within the retail store.” Applicant agrees with this assertion. It is Dr. Banks’ opinion that “no analyst or expert in this field could conclude that the Barnett patent and present invention overlap. Neither cursory observation or in-depth inspection reveals similarities in methodology, process or product.”

In an attempt to overcome the shortcomings of the Barnett et al. patent, the Office Action combined the teachings of Barnett with the Day et al. patent, asserting that “Day discloses distributing entitlements to shoppers who are members of the retail stores frequent shopper program, obtaining member account numbers and member purchase histories with or without a coupon over

a period of time, comparing the purchase history of the member to the available product entitlements, providing a dispenser within the retail store which is accessible and activated by a member by entering information identifying the member's frequent shopper account number, and communicating selected entitlements for the frequent shopper member account number and printing the entitlements for the member." However, Applicant respectfully asserts that a close reading of Day will reveal that this is simply not the case.

Dr. Banks, in his Declaration, noted eight specific areas of difference between the Day patent and the present invention. Dr. Banks indicated that while the invention simply employs retailer's existing frequent shopper cards for identification, Day creates an additional card to be used just with their kiosks. This presents three conditions which are undesirable, including the need for two cards, which must be swiped at the checkout instead of just one; the need for a separate database with its attendant access and privacy considerations; and the fact that the Day cards could be used in competitor's stores. Dr. Banks, in Paragraph 17 of his Declaration, states that the Day patent creates its own database from scratch on a computer in each store and does not encourage the use of the retailer's existing frequent shopper loyalty card program. Dr. Banks states that this approach greatly weakens its targeting ability as historical purchase behavior in the first several months of the program is lacking. As the Day-issued entitlements are electronic rather than paper coupons, the Day system requires a two-way connection to the retailer's front-end point-of-sale, which Dr. Banks indicates is expensive and creates integration problems. This also requires that the Day electronic coupons have a very short life span, indicated as three hours in the Day patent. Applicant points to Column 5, lines 30-50 of the Day patent wherein Day et al. recognize the problem of the creation of its own database stating "the first few times the customer uses the card 22, the computer 12 will have little information about the customer's buying habits. To keep the customer interested in using the card, while purchasing behavior information is being obtained, the customer will be given broadcast special offers, which are special offers available to everyone (as opposed to targeted special offers)." Thus, Day actually teaches away from using the retailer's

frequent shopper program, instead electing to create its own database of shopper purchase history.

As the present invention is used in cooperation with the retail store and utilizes the retail store's frequent shopper program member data from the retailer's server database, the invention is retailer-specific. That is, a frequent shopper program member of that retail store could only obtain the entitlements from a store in the chain of stores of that particular retailer. In contrast, Day et al. in Column 7, lines 35-50, discloses that a customer could use his or her "Day card" in a store other than their home store or even when presenting a card from a competitor's chain of stores. This actually teaches away from the present invention, and Applicant believes, removes the incentive for a retailer to carry the system as its information and entitlements could be distributed at a competitor's store.

As stated by the M.P.E.P. §2141.02, in determining the differences between the prior art and the claim, the question under 35 U.S.C. §103 is not whether the differences themselves would have been obvious, but whether the claimed invention as a whole would have been obvious. Citing, Stratoflex, Inc. v. Aeroquip Corp., 218 USPQ 871 (Fed. Cir. 1983); Schenck v. Nortron Corp., 218 USPQ 698 (Fed. Cir. 1983). The invention as a whole is not restricted to the specific subject matter claimed, but also embraces its properties and the problem it solves. In re Wright, 6 USPQ 2d 1959 (Fed. Cir. 1988). Further, a prior art reference must be considered in its entirety, i.e., as a whole including portions that would lead away from the claimed invention. M.P.E.P. §2141.02, citing, W.L. Gore & Associates, Inc. v. Garlock, Inc., 220 USPQ 303 (Fed. Cir. 1983), cert. denied, 469 US 851 (1984).

The present invention, taken as a whole and considered in its entirety, as recited in the independent claims, is directed to a process of distributing product entitlements in a retail store to shoppers of the retail store's frequent shopper program. In contrast, Barnett is an Internet-based system which issues Internet coupons to members who join and provide information at the web-site. Day also creates its own database of information on the shopper and the shopper's purchasing behavior. Both Barnett and Day teach away from the claimed invention as they create their own databases as opposed to using the retailer's

pre-existing frequent shopper program data. Dr. Banks, an expert in the field, states that neither Barnett nor Day use the retail store's frequent shopper program and thus he fails to see how the Barnett and Day patents render the present invention obvious. Thus, taken as a whole, including portions of the cited references that would lead away from the claimed invention, which Dr. Banks indicates are many, the present invention is very different and not rendered obvious by the combination of Barnett and Day.

As stated by M.P.E.P. §2143.03 to establish *prima facie* obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art. (citing In re Royka, 180 USPQ 580 (CCPA 1974). All words in a claim must be considered in judging the patentability of that claim against the prior art. In re Wilson, 165 USPQ 494, 496 (CCPA 1970).

All independent claims (1, 20, 37, 50 and 57) recite a process for distributing product entitlements in a retail store to frequent shopper program members of the retail store. The use of frequent shopper program members of a particular retail store is simply not disclosed whatsoever in the Barnett et al. or Day et al. patents. Independent claims 1 and 20 recite "obtaining from the retail store frequent shopper program member data". The remaining independent claims recite "capturing frequent shopper program member data including individual member account numbers and related product purchase histories from a central server of the retail store". These recitations are simply not taught, inferred, or even disclosed whatsoever in either the Barnett or Day patents. In fact, as discussed above, the Barnett and Day patents teach away from this concept by creating their own databases. Thus, *prima facie* obviousness of the claimed invention has not been established as all the claim limitations are not taught or suggested by the cited prior art.

Each of the independent claims recite the step of providing a dispenser within the retail store which is accessible to and activated by frequent shopper program member. A frequent shopper program member using the present invention activates the dispenser within the retail store by entering the frequent shopper member account number (such as swiping a card bearing a magnetic strip, scanning a bar code containing the frequent shopper program member account number, or keying in the frequent shopper program member account

number or other number associated therewith (as recited in claims 17-19, 34-36, 47-49, 54-56, and 64-66). Barnett et al. simply does not disclose such a dispenser activated by entering frequent shopper member account numbers within the retail store.

In fact, Barnett teaches away from the use of such dispensers within a retail store. In Column 3, lines 53-63, Barnett et al. discusses that previous coupon generating systems using kiosk-type printer stations located at a retail store fail to provide a secure and interactive coupon generation system in which these requests, select, store and manipulate and print coupons as desired. In Column 3, line 66 - column 4, line 3, it is a stated object of the Barnett et al. invention to provide an electronic coupon distribution system which can be easily accessed by masses of consumers by "using a readily available personal computer rather than needing to purchase special purpose equipment." In Column 4, lines 63-67, Barnett teaches that alternatively the system could enable the user to transmit electronically the printable coupon data from the coupon output buffer directly to the retailer for an electronic coupon redemption. The Office Action points to the teachings of Day, which does provide a kiosk dispenser within the retail store.

The mere fact that the references can be combined or modified, does not render the resulting combination obvious unless the prior art also suggests the desirability of the combination. MPEP §2143.01 citing, In re Mills, 16 USPQ 2d 1430 (Fed. Cir. 1990). Applicant contends that not only does the prior art fail to suggest the desirability of the combination, but that the combination is improper as it would alter the intended purpose and one of the primary objectives of the Barnett system. As the MPEP states: "If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims *prima facie* obvious." MPEP §2143.01 (citing In re Ratti, 123 U.S.P.Q. 349 (CCPA 1959)).

In light of the foregoing, the combination of Barnett and Day also fail to provide a dispenser within the retail store which is accessible to and activated by a frequent shopper program member by entering information identifying the

member's frequent shopper member account number, as recited in the independent claims of the present invention.

Claims 5-8, 22-25, 38-40, and 50-56 are directed to the printing of coupons representing these selected entitlements and including product information, rebate information and a bar code thereon. While Barnett et al. disclose the printing of such coupons at a user's personal computer, it does not do so within the retail store using the retail store's frequent shopper program member data to select the product entitlements. The Day et al. patent does not disclose the printing of such coupons, instead providing electronic coupons. The entitlements in the Day patent are redeemed when the customer presents his or her "Day card" at the point-of-sale checkout where the purchases are compared to the list of entitlements provided to the shopper. Accordingly, neither Day nor Barnett disclose or teach the recitations of these claims.

The present invention overcomes the problems associated with past coupon redemption systems in that it individually targets each frequent shopper program member using the retail store's frequent shopper program member database, which contains each individual frequent shopper program member's product purchase history. As stated in Dr. Banks' Declaration, supermarket frequent shopper program databases have not been utilized due to the problems associated with delivering the targeted promotions to the individual shoppers. The invention overcomes these problems. Neither the Barnett nor Day patents discuss or recognize these problems. In the rare case where the prior art does not appreciate the existence of the problem solved by the invention, the applicant's recognition of the problem is, in itself, strong evidence of the non-obviousness of the invention. In re Nomiya et al., 184 USPQ 607, 612-613 (CCPA 1975).

CONCLUSION

Dr. Banks, an expert in this field, has declared that there are significant differences between the Barnett and Day patents and the present invention, and that one skilled in the art would not see an overlap between the invention and

these patents and that the invention is not obvious in light of these patents. From the foregoing remarks, Applicant believes that it is abundantly clear that neither Barnett nor Day disclose a system which distributes product entitlements in a retail store to shoppers who are members of the retail store's frequent shopper program, by obtaining from the retail store frequent shopper program member data, including individual frequent shopper program member account numbers and product purchase histories of the individual frequent shopper program member at the retail store over a predetermined time period. Both Day and Barnett fail to appreciate and recognize the problems overcoming the industry by implementing such a method. Accordingly, each independent claim is patentably distinct and allowable over the combined teachings of Day and Barnett. Thus, the claims depending from these independent claims are also in condition for allowance. Accordingly, Applicant respectfully requests a formal Notice of Allowance indicating the allowance of the currently pending claims in the application.

Respectfully submitted,

KELLY BAUERSFELD LOWRY & KELLEY, LLP

A handwritten signature in black ink, appearing to read 'Aaron T. Borrowman', is written over a horizontal line. The signature is stylized with a large, sweeping loop at the end.

Aaron T. Borrowman
Registration No. 42,348

ATB/kr
6320 Canoga Avenue, Suite 1650
Woodland Hills, California 91367
(818) 347-7900